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USDA Foreign Agricultural Service

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Korea, Republic of

Solid Wood Products

Annual

2003

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Report Highlights:

Despite near term weakness in wood demand due to the slowing economy, wood consumption and imports are expected to remain stable in 2004. Over the next 3-5 years, trade volume of wood products is expected to increase in tandem with expectations that Korea's economy will continue to expand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Seoul [KS1]
[KS]

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SECTION I. SITUATION AND OUTLOOK

International and domestic uncertainty dampened growth in the Korean economy in 2003. The Korean economy grew 3.7 percent in the first quarter and is estimated to grow around 2 percent in the second quarter of 2003. Accordingly, unemployment figures have increased to 3.6 percent in the first quarter of 2003 from 3.1 percent in December 2002. The Korean government is targeting GDP growth at 3.5 percent in 2003, only half of 2002 growth. In turn, building starts for the first four months in 2003 declined sharply by 31.4 percent to 136,758 units from last year's 256,210 units.

The economic slowdown has weakened demand for wood as indicated by reports that the Korean lumber processing industry has gone from operating at 74 percent in 2002 to 68 percent in April 2003. The panel products industry remains active operating at 94 percent of capacity in plywood, 100 percent in particleboard and 97 percent in MDF. However, strong demand for particleboard and MDF from interior and furniture industries through the first half of 2003 is expected to be dampened by the slowing economy.

Despite near-term weakness of demand, over the next 3-5 years, trade volume of wood products is expected to increase in tandem with expectations that Korea's economy will continue to expand. One area expected to show particularly good ground is the repair and remodeling market for existing buildings. Changes in regulations will encourage repair and remodeling of old buildings instead of reconstruction. The Korea Remodeling Association estimated Korea's 2003 remodeling market at US$11.3 billion (equivalent to Korean Won12.4 trillion), up 8.6 percent from the previous year. The repair and remodeling market is expected to continue to grow at roughly 10 percent annually through 2010.

Recovery of the construction sector beginning in late 2003 and growth in remodeling and wood frame construction are expected to be supported by a boom in construction of pension houses for retirees. In part, the boom is supported by a decision in 2003 easing zoning restrictions to allow construction on land previously zoned for golf courses and for green-belt preservation. Consequently, new development projects in Seoul's satellite cities are expected to be a good opportunity for wood frame house construction during 2005 - 2008. Restrictions on construction in green-belt area to build new housing are expected to be eased for all eleven satellite cities near Seoul in next five years.

Accordingly, FAS/Seoul estimates that CY 2004 consumption of wood will remain stable at the level of CY 2003 as the Korean economy is forecast to recover in the second half of CY2004. Korean forestry administration officials estimate that CY 2003 consumption of wood products will reach at 31 million CUM (roundwood basis) composed of 29.2 million CUM of imported wood products and 1.92 million CUM of local wood products. Total imports in round wood equivalent in 2003 are estimated at 7.7 million CUM of logs. 2003 imports of lumber and processed wood products are estimated at 21.5 million CUM roundwood equivalent.

SECTION II. STATISTICAL TABLES

Strategic Indicator Tables

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FOREST PRODUCT

STRATEGIC INDICATOR TABLES FOR (KOREA)

(Please do not add/delete rows or columns -- note and other info must be added below row 110 -- thank you!)

CONSTRUCTION MARKET

Country: Report Year: 2003	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (thousand units)	667	500	500
--of which, wood frame (thousand units)	2	2	3
--of which, steel, masonry, other materials (thousand units)	665	498	498
--of total starts, residential (thousand units)	667	500	500
----of residential, single family (thousand units)	53	50	50
----of residential, multi-family (thousand units)	614	450	450
--of total starts, commercial (thousand units)	667	500	500
Total Value of Commercial Construction Market ($US mil)	64,157	66,000	70,000
Total Value of Repair and Remodeling Market ($US million)	9,200	10,400	11,500

FURNITURE & INTERIORS MARKET

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	666,541	500,000	500,000
Total Number of Households)	14,901,376	15,160,000	15,400,000
Furniture Production ($US million)	3,996	4,200	4,500
Total Furniture Imports ($US million)	531	650	700
Total Furniture Exports ($US million)	253	260	270
Interiors Market Size ($US million)	3,300	4,000	4,800

MATERIAL HANDLING MARKET

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Value of Industrial Output ($US million)	400	420	430
New Pallet Production (million units)	12	13	14

FOREST AREA

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Land Area (million hectares)	10	10	10
Total Forest Area (million hectares)	6	6	6
--of which, Commercial ('000 hectares)	4,973	4,981	4,990
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	1,672	1,670	1,670
----of commercial, softwood ('000 hectares)	2,692	1,670	2,650
Forest Type			
--of which, virgin ('000 hectares)	3,614	3,606	3,598
--of which, plantation ('000 hectares)	2,300	2,300	2,300
--of which, other commercial (regrowth) ('000 hectares)	500	500	500
Total Volume of Standing Timber (thousand cubic meters)	428,346	450,000	470,000
--of which, Commercial Timber ('000 cum)	331,472	349,000	365,000
Annual Timber Removal ('000 cum) 1/	1,650	1,750	1,900
Annual Timber Growth Rate ('000 cum)	21,000	21,000	21,000
Annual Allowable Cut ('000 cum)	1,700	1,800	1,900

1/ If Removals exceeds growth rate, analyze impact in text.

WOOD PRODUCTS SUBSIDIES

Country: Year of Report	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Solid Wood Export Subsidy Outlay ($US million)	none	none	none
Is there a ban on the export of logs, lumber, or veneer? 1/	none	none	none
Are there export taxes (yes/no)? 2/	none	none	none
Total Wood Production Subsidy ($US million)	none	none	none
Scope (thousands of hectares)	none	none	none
Are there other wood products export expansion activities? 1/	none	none	none

1/ If yes, describe in report.
2/ If yes, identify in Tariff and Tax Strategic Indicator Table.

FOREST PRODUCT TARIFFS AND TAXES (percent)

Country: Report Year	Product Description 1/	Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees	Total Cost of Import 2/	Export Tax
4401	Wood Chips, fuel wood 3/	2	2	12		na
4403	Roundwood 4/	2	2	12		na
4404	Sticks etc	5	5	12		na
4405	Wood wool	5	5	12		na
4406	Railway ties	5	5	12		na
4407	Lumber	5	5	12		na
4408	Veneer 5/	5	5	12		na
4409	Fihished Lumber	8	8	12		na
4410	Particle board	8	8	12		na
4411	Fiberboard	8	8	12		na
4412	Plywood 6/	8	8	12		na
4413	Densified wood	8	8	12		na
4414	Wooden frames	8	8	12		na
4415	Packing cases	8	8	12		na
4416	Casks	8	8	12		na
4417	Tools	8	8	12		na
4418	Builders' joinery	8	8	12		na
4419	Tableware/Kitchenware	8	8	12		na
4420	Wood marquetry	8	8	12		na
4421	Other articles of wood	8	8	12		na
4422	na	na	na	12		na
4423	na	na	na	12		na
4424	na	na	na	12		na
4425	na	na	na	12		na
Pre-fabricated Houses, a		8	8	12		na

1/ Insert additional lines for Commodity tariff identification should tariffs vary within the four-digit designation for major products exported by the U.S. (e.g., 4412.19: softwood plywood 3%, 4412.XX: other plywood, 9%).

2/ Calculate as tariff plus other import taxes/fees assuming a commodity value of $100.

3/ Quota tariff reduced to one percent for wood chips (for pulp).

4/ Tropical hardwood log is at 1 percent. Quota tariff reduced to zero percent for all imported logs.

5/ Quota tariff reduced to 3 percent for veneer thicker than 0.5 mm within 310,000 CUM, veneer of laminated wood is at 8 percent.

6/ Adjusted tariff increased to 13 percent for thicker than 6 mm.

Source: Korea Customs Service (KCS), Agricultural Affairs

PS&D Tables and Trade Matrices

Temperate Hardwood Logs PSD

PSD Table

Country **Korea, Republic of**

Commodity **Temperate Hardwood Logs** 1000 CUBIC METERS

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	USDA Official [	Estimate [N	USDA Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	550	573	550	600	0	640
Imports	300	226	300	200	0	200
TOTAL SUPPLY	850	799	850	800	0	840
Exports	0	0	0	0	0	0
Domestic Consumption	850	799	850	800	0	840
TOTAL DISTRIBUTION	850	799	850	800	0	840

Import Trade Matrix- Temperate Hardwood Logs

Import Trade Matrix

Country Korea, Republic of

Commodity Temperate Hardwood Logs

Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	18	U.S.	32
Others		Others	
Russia	27	Russia	19
PNG	91	PNG	70
China	12	China	4
Solomon Is.	64	Solomon Is.	54
Indonesia	18		
Total for Others	212		147
Others not Listed	37		47
Grand Total	267		226

Source: Korea Customs Service(KCS)

Tropical Hardwood Logs PSD

PSD Table

Country	**Korea, Republic of**					
Commodity	**Tropical Hardwood Logs**				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	USDA Official [	Estimate [N	USDA Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	0	0	0	0	0	0
Imports	450	411	400	350	0	300
TOTAL SUPPLY	450	411	400	350	0	300
Exports	0	0	0	0	0	0
Domestic Consumption	450	411	400	350	0	300
TOTAL DISTRIBUTION	450	411	400	350	0	300

Import Trade Matrix- Tropical Hardwood Logs

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Tropical Hardwood Logs		
Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	0	U.S.	0
Others		Others	
Malaysia	180	Malaysia	152
PNG	140	PNG	105
Solomon Is.	61	Solomon Is.	112
New Zealand	46		
Total for Others	427		369
Others not Listed	57		42
Grand Total	484		411

Source: Korea Customs Service(KCS)

Softwood Logs PSD

PSD Table

Country	**Korea, Republic of**					
Commodity	**Softwood Logs**				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	USDA Official [	Estimate [N	USDA Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	1000	1032	1050	1143	0	1260
Imports	6700	7414	7000	7500	0	7600
TOTAL SUPPLY	7700	8446	8050	8643	0	8860
Exports	0	0	0	0	0	0
Domestic Consumption	7700	8446	8050	8643	0	8860
TOTAL DISTRIBUTION	7700	8446	8050	8643	0	8860

Import Trade Matrix- Softwood Logs

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Softwood Logs		
Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	326	U.S.	195
Others		Others	
New Zealand	4036	New Zealand	4710
Russia	1471	Russia	1499
Australia	372	Australia	712
Chile	15	Chile	148
		Canada	130
Total for Others	5894		7199
Others not Listed	98		20
Grand Total	6318		7414

Source: Korea Customs Service(KCS)

Value of Logs Imports per Country

Korea: Value of Logs Imports per Country Unit: 1,000US$			
Country	2000	2001	2002
United States	77,208	75,692	81,920
New Zealand	211,352	238,981	268,572
Russia	98,253	98,096	100,285
Malaysia	51,479	25,713	25,068
PNG	38,033	24,641	18,129
Chile	6,473	1,021	9,827
Australia	36,337	23,423	44,010
Solomon Is.	18,045	16,265	15,638
Others	23,213	32,494	34,024
Total	560,393	536,326	597,473

Source: Korea Customs Service

Temperate Hardwood Lumber PSD

PSD Table

Country	**Korea, Republic of**					
Commodity	**Temperate Hardwood Lumber**				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	USDA Official [	Estimate [N	USDA Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	88	66	88	60	0	55
Imports	210	144	220	140	0	100
TOTAL SUPPLY	298	210	308	200	0	155
Exports	5	5	5	5	0	5
Domestic Consumption	293	205	303	195	0	150
TOTAL DISTRIBUTION	298	210	308	200	0	155

Import Trade Matrix- Temperate Hardwood Lumber

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Temperate Hardwood Lumber		
Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	36	U.S.	40
Others		Others	
China	104	China	51
Canada	8	Canada	9
Malaysia	12	Malaysia	6
Indonesia	37	Indonesia	28
Total for Others	161		94
Others not Listed	11		10
Grand Total	208		144

Source: Korea Customs Service(KCS)

Hardwood Lumber Imports From U.S.

Korea: Hardwood Lumber Imports From the U. S. (CUM and US$ Thousand)						
Species	2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value
Oak	16,345	10,447	10,124	6,887	10,970	7,320
Maple	13,547	10,484	11,655	8,416	11,245	8,596
Poplar	1,889	1,002	1,214	611	963	458
Basswood	1,543	975	640	631	510	576
Ash	3,815	2,306	3,308	2,051	9,400	4,329
Walnut	1,030	1,211	610	824	604	813
Other	10,041	7,430	11,071	8,641	6,399	4,483
Total	48,210	33,855	35,522	26,638	40,091	26,575

Source: Korea Customs Service (KCS)

Korea: Temperate Hardwood Lumber Imports From the U. S.

Korea: Temperate Hardwood Lumber Imports From the U. S. (CUM and US$ Thousand)				
Species	2002(1-3)		2003(1-3)	
	Volume	Value	Volume	Value
Oak	2,555	1,664	2,220	1,478
Maple	3,363	2,321	2,120	1,653
Poplar	457	209	129	66
Basswood	240	273	0	0
Ash	1,394	676	3,371	1,794
Walnut	105	121	255	365
Other	2,637	2,771	750	502
Total	10,056	6,704	8,845	5,858

Source: Korea Customs Service (KCS)

Tropical Hardwood Lumber PSD

PSD Table

Country	**Korea, Republic of**					
Commodity	**Tropical Hardwood Lumber**				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	A Official [	Estimate [N	A Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	50	83	40	75	0	70
Imports	360	340	370	330	0	330
TOTAL SUPPLY	410	423	410	405	0	400
Exports	3	3	3	3	0	3
Domestic Consumption	407	420	407	402	0	397
TOTAL DISTRIBUTION	410	423	410	405	0	400

Import Trade Matrix- Tropical Hardwood Lumber

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Tropical Hardwood Lumber		
Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	2	U.S.	0
Others		Others	
Malaysia	143	Malaysia	125
Indonesia	186	Indonesia	201
Total for Others	329		326
Others not Listed	18		14
Grand Total	349		340

Source: Korea Customs Service(KCS)

Softwood Lumber PSD

PSD Table

Country	Korea, Republic of					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	USDA Official [	Estimate [N	USDA Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	4620	5045	4840	5160	0	5200
Imports	330	301	350	300	0	350
TOTAL SUPPLY	4950	5346	5190	5460	0	5550
Exports	10	7	10	10	0	10
Domestic Consumption	4940	5339	5180	5450	0	5540
TOTAL DISTRIBUTION	4950	5346	5190	5460	0	5550

Import Trade Matrix- Softwood Lumber

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Softwood Lumber		
Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	10	U.S.	5
Others		Others	
Canada	51	Canada	65
New Zealand	50	New Zealand	78
Chile	41	Chile	40
Brazil	22	Brazil	21
China	8	China	10
Russia	30	Russia	62
Total for Others	202		276
Others not Listed	15		20
Grand Total	227		301

Source: Korea Customs Service(KCS)

Softwood Lumber Imports From the U.S.

Korea: Softwood Lumber Imports From the U. S. (CUM and US$ Thousand)						
Species	2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value
Cedar	300	131	3,011	1,868	1,100	820
Douglas Fir	401	155	771	174	100	36
Whitewood or Fir	2000	791	652	263	516	226
Spruce	9,559	7,143	3,935	3,751	2,435	2,407
Other	885	1,022	885	1,022	677	1,119
Total	13,145	9,242	9,540	7,657	4,828	4,608

Source: Korea Customs Service (KCS)

Softwood Lumber Imports From the U. S.

Korea: Softwood Lumber Imports From the U. S. (CUM and US$ Thousand)				
Species	2002(1-3)		2003(1-3)	
	Volume	Value	Volume	Value
Cedar	384	126	0	0
Oregon Pine	0	0	41	21
Whitewood or Fir	34	29	37	13
Spruce	590	474	307	314
Other	153	339	238	237
Total	1,161	968	623	585

Source: Korea Customs Service (KCS)

Value of Lumber Imports per Country

Korea: Value of Lumber Imports per Country (Unit: 1,000US$)			
Country	2000	2001	2002
United States	43,695	34,403	31,320
Malaysia	42,298	38,177	33,293
Indonesia	56,026	66,249	76,439
Chile	13,731	9,095	7,391
China	31,179	26,402	26,145
New Zealand	5,586	5,807	8,433
Canada	21,001	17,752	21,840
Brazil	17,823	11,339	10,555
Others	13,859	14,519	14,519
Total	245,198	223,743	233,322

Source: Forest Administration

Veneer PSD

PSD Table

Country	Korea, Republic of					
Commodity	Hardwood Veneer				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [N	A Official [	Estimate [N	A Official [	Estimate [N
Market Year Begin		01/2002		01/2003		01/2004
Production	0	0	0	0	0	0
Imports	260	390	290	350	0	360
TOTAL SUPPLY	260	390	290	350	0	360
Exports	0	0	0	0	0	0
Domestic Consumption	260	390	290	350	0	360
TOTAL DISTRIBUTION	260	390	290	350	0	360

Note: Included softwood veneer in import data.

Import Trade Matrix- Veneer

Import Trade Matrix

Country	Korea, Republic of		
Commodity	Hardwood Veneer		
Time period	JAN/DEC	Units:	1,000 CUM
Imports for:	**2001**		2002
U.S.	7	U.S.	10
Others		Others	
Malaysia	293	Malaysia	303
Brazil	6	Brazil	1
Chile	9	Chile	6
China	8	China	13
Total for Others	316		323
Others not Listed	13		57
Grand Total	336		390

Note: Included softwood veneer.
Source: Korea Customs Service(KCS)

Value of Veneer Imports per Country

Korea: Value of Veneer Imports per Country Unit: 1,000US$			
Country	2000	2001	2002
United States	13,084	13,478	17,223
Malaysia	30,376	44,352	48,662
Chile	1,927	1,639	1,104
Brazil	5,943	1,513	224
China	6,559	13,006	21,101
EU	9,474	11,465	11,313
PNG	-	885	5,021
Canada	2,405	2,495	2,355
Others	6,189	4,263	5,163
Total	75,957	93,096	112,166

Source: Korea Customs Service

Other Tables

Supply of Domestic Roundwood

Korea: Supply of Domestic Roundwood (1,000 CUM)				
Year	Pit props	Pulp	Lumber/Board	Total
1997	104	367	591	1,062
1998	110	406	912	1,428
1999	117	410	1,167	1,694
2000	112	552	928	1,592
2001	140	366	1,027	1,533
2002	58	373	1,174	1,605
2003 1/	60	390	1,293	1,743

1/ Projected by the government.
Source: Korea Forestry Administration

Wood Products Production

Korea: Wood Products Production (1,000 CUM)			
Items	2000	2001	2002
Softwood Lumber	4,044	4,330	5,045
Tropical Hardwood Lumber	142	77	83
Temperate Hardwood Lumber	73	90	66
Sub Total, Lumber	4,259	4,497	5,194
Plywood	747	736	824
Fiberboard	943	1,019	1,236
Particle board	722	723	728
Grand Total	6,671	6,975	7,982

Source: Agricultural Affairs,
Korea Plywood Industry Association (KPIA)

Value of Domestic Construction Orders Comparison for 2001 and 2002

Korea: Value of Domestic Construction Orders Comparison for 2001 and 2002 (Billion Korean Won, By the Type of Construction)			
Sector	2001	2002	Changes(%)
Building, subtotal	30,881	41,527	34
-Dwelling	21,542	29,666	38
-Office & Stores	4,565	6,938	52
-Factory & Storage	1,007	1,329	31
-Public Office 1/	2,662	2,352	-12
-Others	1,106	1,242	12
Civil Engineering, subtotal	19,968	20,183	1
-Forestry Conservancy & Water Control	187	327	74
-Agriculture & Fisheries	362	371	2
-Roads & Bridge	9,707	8,901	-8
-Harbours& Airports	1,268	1,328	5
-Railways & Track	3,019	3,363	11
-Water Supply & Sewage	1,244	934	-25
-Generation of Electricity 2/	330	1,303	295
-Land Development 3/	1,356	1,291	-5
-Dams	46	146	217
-Installation of Machinery	2,097	2,036	3
-Others	145	147	1
Other Construction, subtotal	145	147	1
Grand Total	50,995	61,858	21

1/ Including schools and hospitals
2/ Including transmission, transformation and distribution
3/ Including gardens and grounds
Source: National Statistical Office (NSA)

Building Construction Permits by Structure

Korea: Building Construction Permits by Structure (Floor area, Thousand Square meters)					
Year	Total	Ferro-Concrete	Brick & Stone	Wooden	Others
1996	113,820	101,940	7,193	131	4,557
1997	113,374	104,214	5,105	173	3,881
1998	50,965	46,701	1,889	113	2,263
1999	72,534	66,192	2,340	142	3,858
2000	81,059	75,292	2,056	178	3,532
2001	97,717	91,562	2,056	181	3,919
2002	138,734	136,222	2,074	171	268

Source: Ministry of Construction and Transportation (MOCT)

Building Construction Permits by Use

Korea: Building Construction Permits by Use (Floor area, Thousand Square meters)						
Year	Total	Dwelling	Commercial	Factory	Educational &Social	Other
1996	113,820	61,062	26,862	11,921	6,289	7,682
1997	113,374	62,677	27,918	8,796	6,603	7,379
1998	50,965	31,156	8,753	2,796	3,983	4,279
1999	72,534	44,606	11,746	7,824	4,478	3,882
2000	81,059	41,283	18,882	11,646	5,126	4,121
2001	97,717	47,856	25,888	13,538	5,534	4,901
2002	138,734	57,320	49,862	15,366	7,489	8,697

1/ Estimated by Agricultural Affairs.
Source: Ministry of Construction and Transportation (MOCT)

Housing Starts per Type

Korea: Housing Starts per Type ('000 units)					
Year	Total	Apartment	Single Family	Tenement	Rowhouse
1997	596,435	484,949	52,948	19,219	39,319
1998	306,031	262,879	23,773	7,363	12,016
1999	404,715	345,345	33,772	7,640	17,958
2000	433,488	331,579	34,777	10,242	56,890
2001	529,854	267,401	49,454	8,592	204,407
2002	666,541	384,692	53,323	7,963	220,563
2003 (1-4)	136,758	100,795	13,987	1,703	20,273

1/ Projection
Source: Ministry of Construction and Transportation

Import of Wood Frame Housing Per Country

Korea: Import of Wood Frame Housing Per Country (Unit: 1,000 US$ on a CIF basis)					
Country	2000	2001	2002	2002 (1-4)	2003 (1-4)
United States	4,462	1,830	2,047	432	632
Canada	1,872	1,401	1,882	531	417
Finland	1,030	1,165	1,914	431	507
Sweden	72	0	240	0	0
New Zealand	0	24	27	0	17
Australia	115	49	158	0	6
Russia	107	73	361	0	0
EU	114	362	66	26	0
Others	289	141	93	57	79
Total	8,061	5,045	6,788	1,477	1,652

Source: Korea Customs Service

Value of Total Forest Product Imports

Korea: Value of Total Forest Product Imports (US$ Million on a CIF)						
Description (H.S. No.)	From the World			From the United States		
	2001	2002	%	2001	2002	%
Chips (4401)	81	65	-20.1	24	11	-55.8
Logs (4403)	536	597	11.4	76	82	8.2
Lumber (4407)	224	233	4.3	34	31	-9.0
Veneer (4408)	93	112	20.5	13	17	27.8
Finished Lumber (4409)	34	34	0.5	0.3	0.5	60.7
Particle Board (4410)	78	110	42.1	0.4	0.3	-13.9
Fiberboard (4411)	94	146	54.2	2	3	73.7
Plywood (4412)	312	383	22.7	1.6	1.2	-25.6
Door and Windows (4418)	32	44	40.2	2.4	2.4	-1.2
Other Articles of Wood	87	102	17.2	3.2	2.6	-18.8
Total	1,570	1,826	16.3	158	151	-3.9

Source: Korea Customs Service(KCS)

Value Comparison of Forest Product Import for January-April

Korea: Value Comparison of Forest Product Import for January-April (US$ Million on a CIF)						
Description (H.S. No.)	From the World			From the United States		
	2002	2003	%	2002	2003	%
Chips (4401)	15	27	76.3	0	4	na
Logs (4403)	190	198	4.4	31	31	-0.4
Lumber (4407)	73	68	-7.2	10	8	-21.7
Veneer (4408)	33	34	1.6	5	4	-6.6
Finished Lumber (4409)	9	11	21.2	0	0	-65.7
Particle Board (4410)	38	31	-19.3	0	0.3	109.0
Fiber board (4411)	60	40	-32.1	2	0.1	-94.6
Plywood (4412)	111	148	33.4	0.4	0.5	30.2
Door and Windows (4418)	12	12	4.6	0.5	0.8	65.4
Other Articles of Wood	32	35	9.4	0.2	1.3	-78
Total	573	604	27.3	50	50	-1.3

Source: Korea Customs Service(KCS

Volume of Forest Product Imports

Korea: Volume of Forest Product Imports (1,000CUM)						
Description (H.S. No.)	From the World			From the United States		
	2000	2001	2002	2000	2001	2002
Chips (4401) 1/	1,083	1,068	868	285	295	131
Logs (4403)	6,871	7,068	8,051	392	344	227
Lumber (4407)	738	784	785	62	50	45
Veneer (4408)	246	336	390	6	7	10
Finished Lumber (4409) 1/	33	36	36	0.5	0	0.2
Particle Board (4410)	485	595	1,000	5	-	-
Fiberboard (4411)	380	491	807	10	5	13
Plywood (4412)	980	1,165	1,441	2	1	-
Door and Windows (4418) 1/	21	21	28	1	1	1

1/ 1,000Metric Tons
Source: Korea Customs Service (KCS)
Agricultural Affairs readjusted the number of logs and lumber based on the KCS' statistics.

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

Production

Forest Situation/Outlook

Total forest area, about 6.416 million hectares (HA), accounts for 64.5 percent of the total land area. Korea's forests are located predominantly in the cool-temperate zone with a small section in the warm-temperate zone along the southern coast.

Most of the domestic growing stock is around 30 - 40 years old with the greatest production made up of coniferous trees between 20-40 years old. Small diameter logs (below 30 centimeters) represent 97 percent of total log production. Because timber quality is low and the majority of trees are of small diameter, domestic roundwood is primarily processed into pit prop, lumber for crates, fiberboard, and wood chips for pulping.

The CY 2003 roundwood harvest is projected at 1.7 million CUM. Softwoods comprise 60 percent of the harvest followed by temperate hardwoods at 40 percent. For CY 2004, the outlook for domestic roundwood production is 1.9 million CUM, with softwoods (60 percent) and temperate hardwoods (40 percent) maintaining the dominant species harvested. With proper management, Korea projects that sustainable domestic production could satisfy more than 50 percent of total demand by the 2030s.

Solid Wood Products Situation/Outlook

Economic recession since November 2002 has slowed usage of capacity within the Korean lumber processing industry from 74 percent in 2002 to 68 percent in April 2003. The panel products industry remains active operating as 94 percent of capacity in plywood, 100 percent in particleboard and 97 percent in MDF. However, strong demand of particleboard and MDF from interior and furniture industries through the first half of 2003 will be dampened by the slowing economy. Therefore, the Korea Wood Panel Association estimates the 2004 demand of panel products to retract to the 2002 level.

Trade

Overview/Outlook

In the first four months of CY 2003, total wood product imports increased to US$607 million due to a sharp increase of wood chips, up 27.3 percent over the same period of CY2002. However, imports from the United States declined by 1.3 percent for the period due to decreased imports of lumber, veneer and fiberboard. Demand for hardwood lumber has been undermined by substitution of solid wood for cheaper-priced composite wood products and tropical wood products. In turn, imports of U.S. hardwood are down about 12 percent compared to last year. In contrast, imports of prepackaged homes (HS 9406) are up 12 percent with increases in orders reported from Finland and the United States.

In CY 2002, Korea’s imports of wood products increased to US$1.8 billion, up 16 percent from the previous year due to a greater demand from housing and construction sectors. Imports of logs and lumber were limited by substitution of panel products made of veneer, particle board and MDF to meet a demand from interior and furniture industries. U.S. exports to Korea decreased 1.8 percent due to more attractive log and panel product prices from Southeast Asia, New Zealand, Chile and Russia. Imports of prepackaged homes increased 35 percent in response to demand for wood frame housing in the suburbs of big cities.

In CY2002, U.S. export value of softwood lumber sharply declined to US$4.6 million, down 40 percent while the quantity decreased by 49 percent from the previous year. Cedar and Spruce lumber marked the main decreases.

In CY2002, as the furniture sector recovered slightly, U.S. export value of temperate hardwood lumber remained unchanged at US$26.6 million while the quantity increased by 13 percent from the previous year. In CY2003, U.S. exports of temperate hardwood lumber are expected to decline. Trade date through the first quarter of 2003 indicated imports are down 13 percent from the previous year. High substitution of panel products for lumber in housing construction contributed to the reduction in imports of hardwood lumber.

U.S. dimension lumber is not widely used in the wood frame housing market because the Korean market is centered on price. Canadian SPF, a mixed species of Spruce, Pine and Fir, is much more competitive than U.S. dimension lumber, particularly given the exchange rate over the past year.

Local distributors have stored the most competitive wood products in their warehouses such as dimension lumber and structural panel from Canada, OSB from France, red pine walled panel from Russia and walled panel and chemical treated deck from Finland. A major distributor reportedly purchased a sawmill in Canada in order to process dimension lumber for the Korean market. In lieu of structural products, the U.S. has become a competitive supplier of wood based building products included door/window and molding and millworks.

Competition

Despite a 16 percent increase in imports of all wood products in 2002, U.S. market share in Korea has dropped to US$151 million, down 3.9 percent from the previous year due to decreases in chips, lumber, particle board, plywood and other articles of wood partly offset by the increased import of logs, veneer and fiberboard. U.S. industry has continued to face strong competition from New Zealand, Russia, Australia and Malaysia in logs. Temperate hardwood lumber from China, tropical hardwood lumber from Indonesia and Malaysia and softwood lumber from Canada, New Zealand, Chile and Russia continue to dominate the Korean market. U.S. exports of veneer, temperate hardwood logs/lumber and MDF increased to meet the demand of interior, furniture and musical instrument manufacturing sectors

Market Development Strategies

In addition to the slowing economy, government intervention to eliminate speculation in housing market is expected to limit on the overall size of the domestic market in 2003. However, demand for wood products is expected recover in 2004. Increased demand for wood frame housing prompted by booming construction of pension houses and easing of some government restrictions on housing construction in green-belt areas are expected to drive the recovery.

Remodeling and reconstruction of old buildings have led to greater demand for hardwood veneer laminated products by developers who are increasingly using veneer based wood products to save construction costs. Their use of veneer-based products is generating demand for particle board and MDF interior accessories, such as kitchen cabinets, doors, window and interior trimmings.

MARKET SEGMENT ANALYSIS

Construction Sector

Overview

The construction sector is driven by demand from the infrastructure projects undertaken by the government and housing construction projects by both the public and private sectors. Total investment for infrastructure projects is estimated at US$170 billion for the next 15 – 20 years to meet Korea's national needs. Korea's housing sector is expected to experience construction of roughly 550,000 new homes worth US$ 9.7 billion annually. Fifty percent of the homes are expected to be in apartment complexes. Forty percent are expected to be multi-family buildings. Ten percent are expected to be single family houses.

Including all categories, new housing starts in CY2002 totaled 666,541 units, up 25.8 percent from 2001. Housing starts in 2002 exceeded the government's target of 550,000 in part due increased row-house construction stimulated by easing of restrictions on the limit for total floor area ratio to land. However, government regulations to control housing construction sparked by public reaction to speculative housing markets is expected to dampen row-house construction in 2003 and 2004. Building starts for the first four months in 2003 declined sharply by 31.4 percent to 136,758 units from last year's 256,210 units.

Since 2000, increased repair and remodeling of old buildings has created market opportunities for such wood products as flooring, wall panel, built-in furniture, door/window and trimming of ceiling parts. However, solid wood is not likely to be a major raw material in this market because of its higher price than composite products laminated by veneer. Veneer has great potential in this market because of the greater demand of composite products such as plywood, particle board and MDF is essential to use veneer as lamination.

Wood Frame Construction
The wood frame housing market is expected to continue to grow in 2003. In the first quarter of 2003, building permits for wood frame houses increased by 74.3 percent from the same period of 2002. During the same period, total building permits increased only 3.4 percent.

Building permits for wood frame houses in 2002 increased to 1,600 units led by the pension housing market, a 28 percent increase from the previous year. Including wood frame houses mixed with other materials such as bricks, concrete or steel, the total number of building permits for wood frame houses are estimated at more than 2000 units. Two-by-four wood structures have continued to dominate the single family housing market. However, light weight steel frame construction is making aggressive inroads in this market.

Construction of wood frame houses is expected to surge due to recent government decisions to allow construction of 300,000 low-rise apartments and single family houses in the suburbs of Seoul over the next several years. However, U.S. exporters ability to capitalize on the opportunity is constrained by the attractive prices offered by competitors.

Marketing

Easing of restrictions on construction in green-belt areas in the eleven satellite cities around Seoul is expected to trigger growth in construction of low rise-apartments and single family homes. Up to 300,000 units are expected to be built in the deregulated area. This trend will be amplified by size restrictions on construction of high rise-apartments in quasi-farmland.

Furthermore, the government plans to construct two new satellite towns at Kimpo and Paju amounting, respectively, to 70,000 and 47,000 new units by the end of 2008. As zoning requirements increasingly favor single family and low-rise multi-family houses, there is a marketing opportunity for construction of wood frame houses in the new towns.

As a result of derestricting green-belt construction, demand from larger developers for building housing at golf courses is increasing. Developers are targeting high income consumers who prefer 2X4 wood structures and favor construction of larger-sized houses than average. Such projects will bolster wood frame construction beginning in 2003.

Korea Land Corporation (KLC), a quasi-government agency responsible for the supply of housing land, has increased land supply for single-family and low-rise-multi-family housing construction at suburbs of metropolitan cities. The KLC has been a major land supplier for the construction of high-rise apartment complexes, accounted for more than 90 percent of new housing construction in Korea. Recently, they announced plans to sell parcels of land to be used for construction of large (500 unit) developments of single-family housing at four different areas in the vicinity of Seoul. KLC is expected to supply additional land sites construction of wood frame house ranging from 60 units to 250 units in the future.

The American Forest and Paper Association (AF&PA) has actively participated in annual exhibitions to promote the consumption of U.S. wood products. Among other activities, AF&PA has educated Korean consumers about U.S. wood products through seminars, design fairs and housing fairs. Since 1996, the AF&PA has organized an annual two-week training program in June/July for Korean carpenters to improve Korean carpenters' skill and knowledge on wood house construction.

Policy

The government plans to revise regulations for sales of high-rise apartments to facilitate purchase prior to construction. Construction industry representatives caution that the new system could reduce housing supply by placing a greater financial burden on the construction companies.

Trade

Issuance of building permits for wood frame houses and the record import pace of pre-fabricated housing through the first quarter of 2003 indicates Korea's wood product imports for residential construction will continue to grow despite the slowing economy. In turn, U.S. exports of hardwood veneer panel products to Korea are expected to increase to meet strong demand from the remodeling and wood housing construction sectors.

Positive regulatory changes are expected to overshadow the dim economy to result in continued growth in wood frame housing construction. Accordingly, Korea now has about 160 small-sized builders specializing in wood frame house construction. These builders use imported dimension lumber, structural panel products and OSB from local distributors instead of using prepackaged housing materials which are designed for larger-scale housing construction. Local distributors, on behalf of the small-sized builders, search for the most competitive dimension lumber and structural panels from Canada, OSB from France, red pine walled panel from Russia and walled panel and chemical treated deck from Finland. In lieu of structural products, the U. S. has become a competitive supplier of wood based building products included door/window and molding and millworks.

Furniture & Interiors Sector

Overview

The furniture and interior sectors have traditionally been the largest users of U.S. hardwoods. However, furniture industry expects furniture market to remain unchanged this year.

The interior market has continued growing in line with strong consumer demand for interior decoration. The demand for U.S. hardwood products remains strong in this market. However, hardwood lumber is increasingly being replaced by cheaper-priced composite wood products and tropical hardwood products. Accordingly, veneer has been increasingly used to make low-cost composite products for interiors and furniture.

Interior work for remodeling and new apartment construction is mostly given to sub-contractors who stay away from solid wood to meet cost ceilings set by the contractor for the sub-contractors. Nevertheless, consumers definitely prefer solid wood. Marketing efforts to address the disconnect between consumer preferences and the sub-contractors' cost constraints could led to additional wood use.

The Interior Contractors Committee (ICC) forecasts the CY 2003 Korean interior market to continue to grow in response to increased remodeling and reconstruction of commercial buildings into residential apartments.

Marketing

Korean demand for hardwood products has declined as furniture and musical instrument manufacturing facilities have moved offshore. Furniture manufacturing facilities remaining in Korea have continued to produce home furniture such as sofa and dining tables based on solid wood. They have also continued to produce office furniture and built-in home furniture based on composite panel products.

Furniture preferences for younger couples tend toward modern fashion with simplicity and lower priced panel products. Older consumers prefer natural wood furniture often in the form of imported medium and high quality furniture. Local manufacturers have substituted artificial coated paper for wood veneer to compete with lower priced furniture imported from the Southeast Asian countries.

Trade

Korea has increased imports of medium and low quality furniture from offshore manufacturers in China. Imports of high quality furniture tend to come from European countries. The trend toward increasing furniture imports suggests demand for hardwood products from in-country furniture manufacturers will decrease over time.

In CY2002, U.S. export value of temperate hardwood lumber remain unchanged at US$26.6 million while the quantity increased by 13 percent from the previous year. In CY2003, U.S. exports of temperate hardwood lumber are expected to decline in line with the 13 percent decrease observed through the first quarter. High substitution of panel products for lumber in interior furnishings and furniture construction has contributed to decreased imports of hardwood lumber.

Material Handling Industry

Overview

Annual pallet production is estimated at 12 - 13 million units worth about US$236 million in 2003. The Korea Pallet Association (KPA) expects pallet production in 2003 to be stable.

Annual pallet production is estimated at 12 to 13 million units worth about US$236 million in 2003. The Korea Pallet Association (KPA) expects pallet production in 2003 to be stable. Wood pallets account for roughly 70 percent of all pallets. Plastic pallets account for 25 percent and other pallets such as iron and paper comprise the remaining 5 percent. Local pallet producers continue to increase the production of plastic pallets which have longer durability than wood and are more less likely to result in the damage caused by nails in wood pallets. Requests from Australian and French importers to use plastic pallets have spurred demand for plastic pallets among for Korean exporters. Plastic pallets have the added advantage of note being a source of potential quarantine problems. Accordingly, KPA anticipates that plastic pallets will increase to 30 percent of the Korean market in 5 years.

Policy

Due to growing concern about Sudden Oak Death and the pinewood nematode, the Korean National Plant Quarantine Service (NPQS) has banned imports of red wood, Douglas fir, big leaf maple and certain species of oak from certain counties in California and Oregon. Due to the pine wood nematode concern, Korea has banned imports of pine and larch products from Canada, China, Japan and Portugal. Due to Sudden Oak Death concerns, Korean authorities banned imports of Big Leaf Maple (Acer Manzanita in scientific name). However, shipments of Soft Maple are allowed into Korea if they are accompanied by phyto-sanitary certificates which clearly state the wood is not Big Leaf Maple (Acer Manzanita). The NPQS has also strengthened quarantine regulations for pine products requiring a heat treatment certificate. Kiln dried lumber is allowed for the entry in Korea subject to the phyto-sanitary certificate stating that the lumber is kiln dried at 56 degrees Celsius for 30 minutes.